Capitalization. A Book on Corporation Finance. By W. H. LYON. (Boston: Houghton Mifflin Company. 1912. Pp. xi, 296. $2.00.)

This is a serious work, written by an intelligent and well-informed author with considerable skill at analysis. It discusses the instruments of capitalization, *i.e.*, the various kinds of securities issued, "trading on the equity," a phrase said to be of good English usage but not familiar on this side of the Atlantic, "watered stock," "financing an expansion," "amortization," the form of securities, various factors affecting marketability, and "capitalization and the state."

Professor Lyon has set himself the difficult task of writing both for the experienced and the inexperienced. Consequently parts of the book are too elementary for the readers who may get profit from other parts, while for beginners there is danger that much of the book will be as hard to comprehend and to remember as the printed notes of a game which one has never played. On the whole, the book would give more satisfaction if the author had left the beginners to pick up what they could on the street, and, instead of covering so wide and heterogeneous a field, had examined exhaustively a few peculiarly interesting divisions of his subject. The book improves as it advances toward specific problems. But the last chapter, Capitalization and the State, after giving a brief and dispassionate summary of the problems involved—problems which are now stirring this nation from one end to the other—leads the way to no conclusion, except the conclusion that a conclusion cannot be reached.

The most entertaining portion of the book is that which shows the ingenuity used in devising such phrases as "first and refunding" mortgages, "consolidated" mortgages, etc. Excellent illustrations are given of the imposing descriptions of bond issues by the Erie Railway, tending to conceal the fact that they represent only sixth, seventh, and eighth liens. The chapter on amortization is also very interesting and the author's special knowledge of the customs of banking houses which offer the public comparatively small issues of public utility bonds gives picturesqueness to his treatment of this portion of his subject.

There are needless inaccuracies. For example, on page 32 the author states that American Telephone convertible bonds "are convertible into common stock at 140 before March 1, 1918"; on page 49, speaking again of these bonds, he states, "They are

convertible, up to March 1, 1918, at par into stock at 133.7374." Not only are these statements inconsistent with each other but neither is correct. On page 128 he says, "The Northern Pacific Railway and the Great Northern Railway are both obligors on the $107,613,500 of bonds known as the Chicago, Burlington and Quincy joint 4s." The truth is that the size of this issue is not $107,613,500 but $215,227,000.

JOHN F. MOORS.

Stocks and Bonds. The Elements of Successful Investing. By ROGER W. BABSON. (Wellesley Hills, Mass.: The Babson Statistical Organization. 1912. Pp. 402.)

Mr. Babson has wisely assumed that he is writing for only one class of readers, the inexperienced. He has also sought to be entertaining and has introduced many anecdotes. He writes with conviction. Ideas, mostly sound, are not lacking in the author or association of authors responsible for the book. Persons with money to invest and no other sources of advice or information may read it with profit to themselves.

The first chapter does not do the author justice. In this chapter the youthful reader is advised to become a young prig who shall make a point of going to his bank frequently, taking pains to get acquainted with all the officials, for the purpose of acquiring credit. The chances are that the young man's persistent desire to be "on the make" will affect his banking friends unfavorably. "The depositor who calls at the bank only once a year has not such good 'credit' as the one who calls each month," says the book. The truth is that depositors who never call have the best credit and are best liked.

The most interesting parts of the book are those which urge the reader to avoid disreputable securities, and which analyze various kinds of public service corporations. The advertisements once prevalent on the financial pages of the Sunday papers are properly disapproved. The constant tendency toward increased earnings of gas, electric, street railway and telephone companies and their stability in panics are plainly set forth. While the author recognizes that the labor factor is more serious for street railways than for gas or electric light and power companies, he seems hardly to realize the other advantages of the latter. As he uses Boston largely for his examples, the much greater prosperity of the Edison Electric Illuminating Company